

VZCZCXRO3411
OO RUEHCN RUEHGH
DE RUEHIN #0672/01 0820905
ZNR UUUUU ZZH
O 230905Z MAR 07
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 4591
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6513
RUEHUL/AMEMBASSY SEOUL PRIORITY 8540
RUEHKO/AMEMBASSY TOKYO PRIORITY 8583
RUEHCN/AMCONSUL CHENGDU PRIORITY 1751
RUEHGZ/AMCONSUL GUANGZHOU PRIORITY 0083
RUEHHK/AMCONSUL HONG KONG PRIORITY 7756
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0908
RUEHSH/AMCONSUL SHENYANG PRIORITY 5719
RUEAIIA/CIA WASHDC PRIORITY
RUEHGV/USMISSION GENEVA PRIORITY 1798
RUEHC/DEPT OF AGRICULTURE WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY

UNCLAS SECTION 01 OF 03 TAIPEI 000672

SIPDIS

SENSITIVE
SIPDIS

STATE PASS AIT/W AND USTR
STATE FOR EAP/TC, EAP/MLS,
USTR FOR BOLLYKY, ALTBACH AND STRATFORD
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDOC FOR USPTO GIN AND BROWNING AND SNYDOR

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [EINV](#) [KIPR](#) [TW](#)
SUBJECT: AIT DIRECTOR REVIEWS TIFA AGENDA WITH ECON
MINISTER CHEN

Summary and Introduction

¶1. (SBU) On March 21, AIT Director called on Minister of Economic Affairs Steve Chen to review the bilateral trade relationship and the TIFA agenda. Chen gave a positive assessment of the state of the relationship, but reiterated Taiwan's goal of signing a Free Trade Agreement (FTA) with the U.S. He remains fully committed to making real progress through the TIFA process. End Summary and introduction.

Pity about FTA, but Committed to Progress through TIFA

¶2. (SBU) Chen characterized the U.S.-Taiwan bilateral trade relationship as "very good," and once again stressed Taiwan's interest in a Free Trade Agreement. We understand, he said, for the moment you have difficulty agreeing to negotiate an FTA with Taiwan. While waiting for the green light, we are trying to improve our intellectual property rights regime, market access, and work through the TIFA process. We are committed to making real progress in our bilateral relationship through TIFA. Chen noted that on March 30, MOEA was opening a new Office of Trade Negotiation to be headed by John Deng, who most recently served as Deputy Director of TECRO Washington. Chen hoped that through Taiwan's efforts the U.S. will eventually agree to enter FTA negotiations.

¶3. (SBU) The Director agreed with Chen that the TIFA process was more than simply a means to a possible FTA, and would itself deliver benefits to both sides. The Director noted that June/July were being looked at for the next round of TIFA meetings in Washington and some time in the second half of the year for start up of the Consultative Committee on Agriculture. He then discussed the state of play of several items on the TIFA agenda.

IPR - Good News and Bad News

¶4. (SBU) The Director congratulated Taiwan on the passage

of legislation establishing an IPR Court and noted that the U.S. was hopeful about the passage of two other pending bills on regulating peer-to-peer (P2P) file sharing and ISP liability. Chen replied that he expected that these bills would pass this year. The Director went on to note that the U.S. still had other concerns regarding IPR. We were following the Phillips case, as well as legislation that could expand the scope of compulsory licensing in Taiwan. Chen replied that the U.S. did not need to worry about the Phillips case. The EU is undertaking an investigation, he noted, and "there will be a solution pretty soon." The Director added that it would be helpful if Taiwan was responsive to our concerns about the relevant legislation as well.

15. (SBU) The Director also raised the U.S. concern that the Ministry of Education was not treating the IPR issue seriously. IPR violations on campus and on TANet were not being addressed. He recalled that during AUSTRIAT's December visit, he called on the Minister of Education and urged him to name a high-level official to take responsibility for IPR issues in the Education Ministry. It has not happened. Chen acknowledged that Taiwan had to do more, and that he had personally encouraged one of the vice ministers of education to assume that role. The Director said that he planned to raise the issue with Vice Premier Tsai later in the week (reported septel).

SIPDIS

Bilateral Tax, Investment and GPA Agreements

16. (SBU) The Director updated Chen on the current status of possible bilateral agreements being discussed under TIFA:

Bilateral Investment Agreement - USTR and Washington agencies

TAIPEI 00000672 002 OF 003

and Taiwan's Department of Investment Services are planning a digital video conference during the week of April 9 to discuss comments raised by Taiwan on the U.S. model agreement.

Bilateral Tax Agreement - We are hearing more positive noises out of Washington, but the Director will learn more during his upcoming consultations in Washington.

Bilateral Government Procurement Agreement - Washington is preparing for bilateral negotiations by preparing a model bilateral GPA based on the WTO GPA. Here in Taiwan, the Director noted that the new head of the EU representative office told him in a courtesy call and later told the Taiwan press that the EU continues to urge Taiwan to take a multilateral approach. Chen noted that this representative was "too new" and that he had already advised him that the U.S. and Taiwan were preparing for bilateral negotiations.

No Movement on Long Term Pharmaceutical Issues

17. (SBU) The Director asked for Chen's help getting movement on long term pharmaceutical pricing issues. He noted that there has been little or no movement on issues such as actual transaction pricing (ATP) and the separation of prescribing and dispensing (SPD). Both are goals that Taiwan has committed to achieving and to discussing with the U.S. as part of TIFA. Chen took note of the Director's concerns and also urged him to speak directly to the Minister of Health on the matter.

Thanks for Cooperation on Export Controls

18. (SBU) Thanking Chen for MOEA's hard work with the U.S. on export controls, the Director noted that AIT-sponsored training seminars on export control issues will continue every month through August. He hoped, however, that Taiwan law enforcement would be more willing to work with the Bureau

of Foreign Trade to move ahead with prosecutions for those caught violating the law. Minister Chen noted that Chou I-ren, Secretary General of the Presidential Office, had recently asked for a briefing on this issue which shows the level of importance that the Taiwan government places on export control cooperation with the U.S.

Doha - Important, but Not Likely Anytime Soon

¶9. (SBU) The Director stated that the U.S. was not giving up on Doha and was still energetically looking for ways to reinvigorate the process. He hoped that Taiwan was also looking for ways to contribute. President Bush remains committed to concluding the Doha Round. The success of the Doha round was extremely important to Taiwan, Chen replied. As it was having trouble signing FTAs or other bilateral trade agreements, Doha was an important vehicle for more liberalized trade. He was not optimistic, however, about any breakthrough soon. He said the upcoming French presidential election would likely affect the EU position, and there was still the question of extension of the U.S. president's trade promotion authority. Just the same, the Chinese Taipei mission in Geneva would continue to play an active role in promoting the Doha round.

¶10. (SBU) Chen also noted that the Free Trade Area of the Asia Pacific (FTAAP) which the U.S. is supporting under APEC is also very attractive to Taiwan. Director Young said, however, that while this was indeed an important initiative, it would likely move forward very slowly due to concerns from China.

Cross-Strait Liberalization Inevitable, but Need Balance

¶11. (SBU) Turning to Cross-Strait issues, Director Young

TAIPEI 00000672 003 OF 003

noted that the MOEA had recently granted permission for TSMC to build a 0.18-micron semiconductor plant in China. Was this decision made in isolation, or did it indicate a new proactive, more reasonable China investment policy in Taiwan?

The Director noted that both Intel and Japanese firms were building even more advanced plants in China. Semiconductor executives aren't worried that China will seize Taiwan's semiconductor market anytime soon, he added. Chen agreed, and acknowledged Taiwan currently had twelve 12-inch wafer semiconductor plants, eight more under construction, and 17 more in the planning stages. Taiwan was competitive in this industry because it could keep costs low and can get a plant up and running fast.

¶12. (SBU) Chen said that after May or June he would be in a better situation to say more. The liberalizing trend was inevitable in cross-strait trade and investment, but that the speed of liberalization in the longer run would depend on the next Taiwan president.

¶13. (SBU) Director Young stated that when he traveled in southern and central Taiwan and met with business people they asked for more forward-looking government policy out of Taipei. They were actually doing quite well and were optimistic about the future. Chen replied that while some sectors were indeed doing very well, others were lagging. He highlighted the importance of "balanced development" and stressed that MOEA was committed to assisting small and medium-sized enterprises as well as traditional industries, many of which were having a difficult time.

Director Urges Taiwan Action on the Tyco Case

¶14. (SBU) In closing, the Director raised the Tyco thermistor classification issue. He said Tyco intends to file a 301 petition if the issue is not resolved soon and USTR plans to raise the issue in the TIFA talks if it is not resolved before the next round. Tyco also will continue to inform members of Congress about the issue. It is best for

both sides if the issue can be resolved soon. Chen replied that he would once again raise the issue with the Minister of Finance, but noted that it was a difficult issue to settle, since the case was with the courts. Director Young responded by saying that Tyco remains interested in and willing to reach a negotiated settlement.

Comment

¶15. (SBU) As in past meetings, Chen felt he had to stress Taiwan's goal of negotiating an FTA with the United States. Just as important, however, is his strong commitment to the TIFA process which he clearly sees as bringing benefits to both sides.
YOUNG